

SENATE RECORD VOTE ANALYSIS—TEMPORARY

105th Congress
2nd Session

Vote No. 278

September 22, 1998, 2:26 p.m.
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BANKRUPTCY REFORM/Minimum Wage Hike

SUBJECT: Consumer Bankruptcy Reform Act . . . S. 1301. Lott motion to table the Kennedy amendment No. 3540 to the Grassley/Hatch substitute amendment No. 3559 to the committee substitute.

ACTION: MOTION TO TABLE AGREED TO, 55-44

SYNOPSIS: As reported with a substitute amendment, S. 1301, the Consumer Bankruptcy Reform Act, will enact reforms to prevent creditors who have the means of paying their debts from unjustly filing for bankruptcy, and will enact reforms to protect consumers from unfair credit practices.

The Grassley/Hatch substitute amendment would retain the underlying substitute amendment's provisions and would add provisions relating to business bankruptcies.

The Kennedy amendment would increase the minimum wage by \$1 per hour over 2 years. The minimum wage would be \$5.65 per hour beginning January 1, 1999 and \$6.15 per hour beginning January 1, 2000.

Debate was limited by unanimous consent. After debate, Senator Lott moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

Argument 1:

The Kennedy amendment to increase the minimum wage is economically unsound, socially cruel, and politically opportunistic. The basic economic problem is that the government cannot dictate how much a particular worker's labor is worth. If an entry-level, unskilled worker does not have the skills, work habits, or knowledge needed to be paid the minimum wage or more, then that entry-level worker is not going to be hired. A business that assumes costs that are greater than its profits does not stay in business for very

(See other side)

YEAS (55)			NAYS (44)			NOT VOTING (1)	
Republicans (53 or 96%)	Democrats (2 or 5%)		Republicans (2 or 4%)	Democrats (42 or 95%)		Republicans (0)	Democrats (1)
Abraham	Hutchinson	Graham	D'Amato	Akaka	Kennedy		Glenn ²
Allard	Hutchison	Hollings	Specter	Baucus	Kerrey		
Ashcroft	Inhofe			Biden	Kerry		
Bennett	Jeffords			Bingaman	Kohl		
Bond	Kempthorne			Boxer	Landrieu		
Brownback	Kyl			Breaux	Lautenberg		
Burns	Lott			Bryan	Leahy		
Campbell	Lugar			Bumpers	Levin		
Chafee	Mack			Byrd	Lieberman		
Coats	McCain			Cleland	Mikulski		
Cochran	McConnell			Conrad	Moseley-Braun		
Collins	Murkowski			Daschle	Moynihan		
Coverdell	Nickles			Dodd	Murray		
Craig	Roberts			Dorgan	Reed		
DeWine	Roth			Durbin	Reid		
Domenici	Santorum			Feingold	Robb		
Enzi	Sessions			Feinstein	Rockefeller		
Faircloth	Shelby			Ford	Sarbanes		
Frist	Smith, Bob			Harkin	Torricelli		
Gorton	Smith, Gordon			Inouye	Wellstone		
Gramm	Snowe			Johnson	Wyden		
Grams	Stevens						
Grassley	Thomas						
Gregg	Thompson						
Hagel	Thurmond						
Hatch	Warner						
Helms							

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

long. If the only economic change is an increase in the minimum wage, the typical ways for a business to respond include raising prices, cutting back production, and eliminating entry-level jobs. Former Senator and Democratic presidential candidate George McGovern, when he was in the Senate, had an extremely liberal voting record and always strongly favored increasing the minimum wage. After he retired, though, he became a small business owner and found out that many of his liberal theories are disastrous in practice. In talking about the minimum wage, he had the following to say: "Unfortunately, many entry-level jobs are being phased out as employment costs grow faster than productivity. In that situation, employers are pressured to replace marginal employees with self-service or automation or to eliminate the service altogether . . .". Though it is difficult to get economists to agree on anything, three-quarters of the 22,000 members of the American Economic Association agree that minimum wage hikes reduce job opportunities for low-skilled workers. In 1981, then-President Carter's commission on the minimum wage found that every 10-percent increase resulted in a disemployment effect of 100,000 to 300,000 jobs. Two of President Clinton's own appointees to the Federal Reserve Board have said that "The primary consequence of the minimum wage law is not an increase in the income of the least skilled workers, but a restriction on their employment opportunities."

Some Senators are very impressed that total employment in the United States has gone up in the last 2 years at the same time as the minimum wage has climbed. We remind them that a great deal has happened economically in the last 2 years besides the rise in the minimum wage, which is a relatively minor change considering that only a small percentage of working Americans are paid that wage. Republican Congresses, with Democrats kicking and screaming all the way, forced through huge family tax cuts and balanced the budget, and they also insisted on enacting small business tax reforms at the same time that the minimum wage was passed. We Republicans do not take all the credit; most of our Democratic colleagues deserve praise for voting with us to reappoint the current Federal Reserve Chairman, who has done an admirable job of managing the money supply, and we add that bipartisan support for open trade has also fueled economic growth. In 1978 and 1989, when there were not favorable economic conditions to offset the harmful effects of minimum wage increases, such increases caused huge plunges in employment for unskilled youth. Frankly, we do not know of any economist who would make the bizarre claim that making employers pay higher wages for unskilled workers will encourage them to hire more workers, yet that is exactly the claim that some of our liberal colleagues are advancing.

Other Members may accept that some jobs will be lost, but believe that it is an acceptable tradeoff to deny some unskilled workers jobs, keeping them on welfare, as long as the rest get a pay raise. We think that a large reason they have that opinion is that they see the minimum wage as a permanent wage. The reality is that in most cases it is just an entry-level wage. Studies have consistently shown that pay rises rapidly for entry-level workers. For instance, a 1992 study in the *Industrial Relations and Labor Review* found that 63 percent of minimum wage hires were earning an average of 20 percent more within 1 year; another study by Professor Macpherson at Florida State University found an average hourly increase within 1 year of 43 percent. The minimum wage is the bottom rung of the economic ladder. Once on it, people move quickly up. Raising the wage just eliminates the bottom rung and keeps some people from getting started.

The worst effects of raising the minimum wage are social. The people that the wage is intended to help are low-income families, but most people who receive the minimum wage are not heads of households. About 12 million people earn less than \$6.15 per hour, and about 6 million people earn the minimum wage. More than half are young (under 24), single, and childless; more than half live in homes with incomes over \$25,000; fewer than one-fourth live in households with incomes below \$12,500. Our point is that most of the beneficiaries of the minimum wage are not poor working families. In fact, numerous studies have shown that such families are disproportionately harmed by the job losses that come from increases in the minimum wage. First, many well-off young people, in high school and in college, are enticed to enter the job market when wages increase. The pool of applicants rises, and because these young people often possess greater skills than working poor parents, they get the jobs. White, suburbanite kids get jobs, and the unemployment rates for single mothers, blacks, and Hispanics rise.

Right now, to Democrats' dismay, the American people are paying a great deal of attention to President Clinton's horrendous behavior, and to evidence that indicates he committed felonies (perjury, obstruction of justice, and subornation of perjury) to hide his behavior from a court that was hearing a sexual harassment case against him. Many Democrats would like to divert America's attention from that sorry spectacle. Changing the topic to another matter of interest, like the minimum wage, might accomplish that end. Though raising the minimum wage does not make sense economically, and though it has unacceptable social results, it is very popular with the American people. Some Democrats may understand how foolish and wrong it is to raise the minimum wage; others may genuinely believe that it is a good idea. They all know, though, that it is a politically popular idea that they can talk about instead of focusing on the President's behavior.

We are not about to vote for a damaging proposal just because it is politically popular. Empowerment zones, flex-time, tax credits, job training, and similar measures that can be targeted to help working families are advocated by Republicans. Thankfully, Democrats and Republicans are in agreement on a few of those areas, such as in the recent effort to consolidate and reform training programs. We urge our Democratic colleagues to quit playing political games with issues like the minimum wage, and to join us in passing measures that really help the working poor.

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Though we have long supported increases in the minimum wage, we have always understood that there is a danger of pushing things too far too fast, thereby causing more harm than good. As opponents of the minimum wage have always pointed out, there are clearly economic costs for employers; if there were not, there would be no reason not to legislate a \$50, \$500, or \$1,000 per hour minimum wage and make everyone wealthy. Obviously there would be massive unemployment and economic chaos if we took matters to an extreme. We believe, though, at a reasonable level a minimum wage's negative effects on the economy as a whole are less than its positive effects for low-income workers. We are talking about a very small segment of the workforce when we are talking about minimum wage workers--we are willing to drag down the economy a little in order to lift up those workers. If we put too large a drag on the economy, though, we will seriously harm those workers by causing inflation and high unemployment rates. Our fear is that the Kennedy amendment would have that effect. We are currently in the second year of a very large increase in the minimum wage. Ordinarily, after large increases in the minimum wage, businesses are given 4 years to 5 years to adjust to the higher costs. In this instance, the Kennedy amendment is demanding another large increase, which taken with the last increase would result in a total rise of 45 percent in just 4 years. We have very little analysis yet of the effects of the current increase; approving the Kennedy amendment at this point would therefore be reckless. We further note that our colleagues who oppose the minimum wage are right to complain that it is poorly targeted to those people who need it most. It ends up hurting those people with the fewest skills and least flexible working hours. Typically, higher income high school kids benefit, and minorities and women who are supporting children end up with higher unemployment rates. The truth is that the people that we all want to help the most are low-income families with children. Such families, in fact, are receiving more help now than they ever have in history. Our colleagues say that the real value of the minimum wage was at its greatest in 1968, when in real terms it reached \$7.33. However, the Earned Income Credit (EIC) did not exist in 1968. Today, a family of three on the minimum wage gets \$3,756 in EIC aid, bringing its income up to \$14,468. It is true it would have had a slightly higher income in 1968, but it also would have had payroll and income tax liabilities that would not be eliminated by the EIC. Thus, the people who most need help are already receiving a record-high level of help, and, though we would like to give even more assistance, the case has not been made that increasing the minimum wage at this time will help needy families more than it will hurt them. Therefore, we must support the motion to table.

Those opposing the motion to table contended:

The American people strongly support increasing the minimum wage. Unfortunately, many Members are convinced, despite all the evidence to the contrary, that raising it will harm the economy and cost poor people their jobs. For that reason, they are willing to deprive poor working Americans the right to make a living wage. Right now, a family of three that works full-time for the minimum wage is paid only \$10,600 per year, which is below the official poverty line and is not enough to support a family. In many cases, minimum wage earners get two or three jobs just to make ends meet.

Between World War II and 1970 there were seven increases in the minimum wage. Those increases had broad, bipartisan support. During those years the economy grew, and real income in all quintiles grew. From the 1970s on it has become more difficult to enact increases in the minimum wage, and during those years the gap between rich and poor Americans has grown tremendously. Still, some increases have been won, and like previous increases they have not caused any economic problems. For instance, the minimum wage was raised by 90 cents per hour over the last 2 years, and during that time the economy has roared ahead, adding 900,000 new jobs. Our colleagues can offer anecdotal evidence of job losses, but clearly the economy as a whole has not suffered.

Last year, Senators gave themselves a cost-of-living increase that came to \$1.50 per hour. All we are asking is that they give a \$1 per hour increase to the poorest of working Americans, who make less than one-tenth the salary that Senators receive. We urge our colleagues not to table the Kennedy amendment.